Navigating the Changing Landscape of Global Finance

PANGEA

LEARNING OBJECTIVES

Recommended CPE Credit: 1.0 hour

Today's Goals

Increase Knowledge

- Understand exchange rates at a deeper level.
- Discover foreign-exchange (FX) products that align with your unique financial needs.

Provide Tools

- Determine whether to send USD or local currency for your global operations.
- Evaluate the timing of payments to minimize risks and maximize returns.

Help with Key Decisions

- Assess whether your organization needs to undertake a risk analysis and budget forecasting exercise.

Bonus: Trump, Trade, & Tariffs – What you need to know.

Polling Question

NEW process for CPE:

Answer in Conferences i/o on your device.

If you haven't already checked in, please scan the QR code or visit capincrouse.cnf.io and select the **Navigating the Changing Landscape of Global Finance** session.

EXCHANGE RATE FUNDAMENTALS

The Spread

In FX, there are two rates, the ask and the bid, the difference between the two is the spread.

Spread

The Ask: What selling banks want to charge to other banks to a buy a currency.

The Mid: The midpoint between Bid and Ask prices—often used as a reference "fair" price.

The Bid: What buying banks are willing to pay other banks.

Key Point

Google's mid-market rate is deceptive–it functions more like a Lumber Index.
The mid rate reflects institutional pricing–much like how a lumber index provides a benchmark price used by both wholesale lumber mills and retailers like Home Depot or Lowe's.

EXCHANGE RATE FUNDAMENTALS

The Markup

When you transact FX with a broker or bank, it practically looks like this:

Acquisition Price: The rate your FX provider pays to buy a currency.

Markup = Your FX Providers Gross Profit

Your Price: The rate your FX provider is willing to sell a currency to you.

Key Point

Your FX Provider's profit margin is not the same as your cost.
It's like paying $6 per board at Home Depot when the bulk sawmill price they get is $4.
This reveals the true market cost and the $2 markup you're actually paying.

EXCHANGE RATE FUNDAMENTALS

The True Cost

FX Provider's Cost
+
Client Markup

Polling Question

NEW process for CPE:

Answer in Conferences i/o on your device.

If you haven't already checked in, please scan the QR code or visit capincrouse.cnf.io and select the **Navigating the Changing Landscape of Global Finance** session.

OUR OBJECTIVE

Our goal here is to provide you with the knowledge and tools to reduce your true cost.

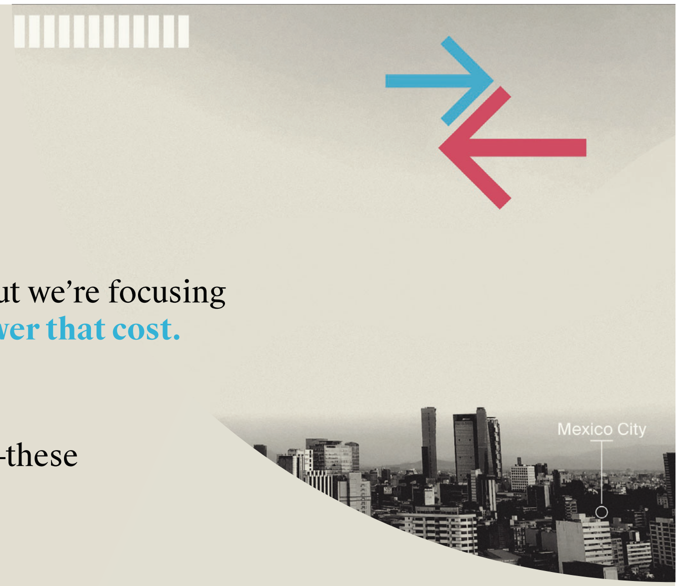
We'll do this by exploring a holistic FX strategy built on three key considerations:

- **Provider:** Select the right providers with the best acquisition prices & lower markups.
- **Pulse:** Time your transactions to align with market liquidity and avoid excessive spreads.
- **Product:** Choosing the most suitable FX instruments to meet your true risk tolerance.

PANGEA

FX PROVIDER

Lowering Cost



Choosing the right FX provider involves many factors, but we're focusing on the **components that drive your cost**—**and how to lower that cost.**

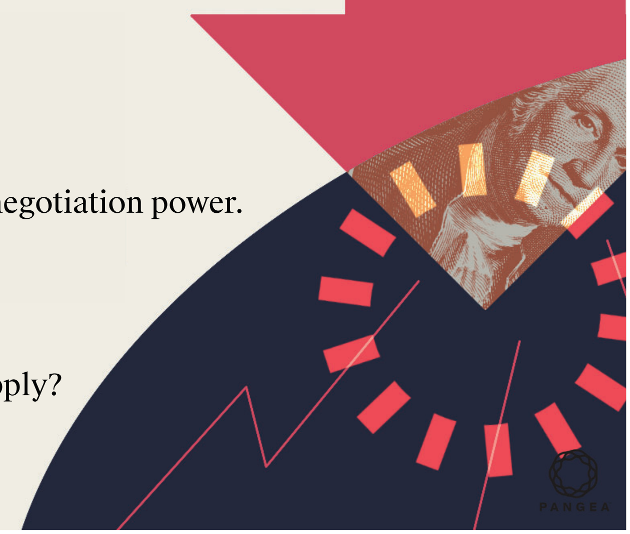
1. Acquisition Cost
Focus on providers with stronger market access or scale—these often offer lower baseline FX rates.

2. FX Provider Markup
Explore how to reduce markup through volume, competition, or leverage with your current provider.

3. Transactional Fees
These are typically fixed per transfer—understand when they matter most and how to minimize them.

FX PROVIDER

Broker Acquisition Cost



Location: Should we send USD or Local?

- Local market forces drive price.
- Think Cousins Maine Lobster

Leverage: What is my provider's buying power?

- Your provider's volume in a currency determines their negotiation power.
- Think Costco Wholesale

Layers: How many intermediaries are involved?

- How far removed is my provider from the source of supply?
- Think StubHub

FX PROVIDER

Reducing Markup

Renegotiate: Use volume, loyalty, or timing to push your provider for better rates.

- Expect small improvement (5-10bps)
- Think AT&T

Request Quotes: Shop rates between providers to create competitive tension.

- Expect moderate improvement (20bps)
- Think Expedia

Realign Strategically: Choose a provider strategically aligned with your profile to unlock mutual value.

- Expect significant improvement (1%+)
- Think OMAHA STEAKS

FX PROVIDER

Transaction Profile & Fee Optimization

Your transaction profile shapes your cost. For instance, frequent small trades demand low fees, while large infrequent ones require low markups.

Scenarios Compared	Number of Transactions	Amount Per Transaction	Total Volume	Fee	Markup	Cost from Fees	Cost from Markup	Total Cost ($)	Total Cost (%)
Large & Infrequent	10	$10000	$100000	$25	1.5%	$250	$1500	$1750	1.75%
Small & Frequent	100	$1000	$100000	$25	1.5%	$2500	$1500	$4000	4%
"No Fee" Illusion	100	$1000	$100000	$0	5%	$0	$5000	$5000	5%
Optimized	100	$1000	$100000	$15	1.5%	$1500	$1500	$3000	3%

Focus on Markup

Focus on Fee

Reduced Fee

Reasonable Markup

FX PROVIDER

Take-Home Exercise

How competitive is your current provider?

1. **Gather Benchmark Rates**
   Source a reliable mid-market reference for each currency.

   It's OK–you can use Google.

2. **Record Your Delivered Rates**
   Pull actual rates you received from your FX provider, or in country, over a 3 month+ period.

3. **Calculate Your Total Cost**
   - Calculate Spread = (Benchmark Rate - Your Rate) / Benchmark Rate
   - Calculate Total Markup Cost = Spread (%) × Annual Volume
   - Aggregate Total Cost = Add Markup Cost + Total Fees Paid

We'll do it for you.

Our 3-step audit process is free to Capin Clients.

1. **Email**: Use our template to request your provider's fee schedule
2. **Audit**: We analyze your conversion data against market rates.
3. **Report**: Get a concise summary of your costs and savings actions

PANGEA

Polling Question

NEW process for CPE:

Answer in Conferences i/o on your device.

If you haven't already checked in, please scan the QR code or visit capincrouse.cnf.io and select the **Navigating the Changing Landscape of Global Finance** session.

PULSE

Lowering “Market” Cost

Cut your FX conversion costs by focusing on two practical levers under your control: aligning trades with periods of deep market liquidity and timing transfers during each currency’s peak hours.

Liquidity

- **Depth of Market**: More buyers & sellers active in the market.
- **Effect on Spread**
  - High liquidity → narrow bid-ask
  - Low liquidity → wide bid-ask

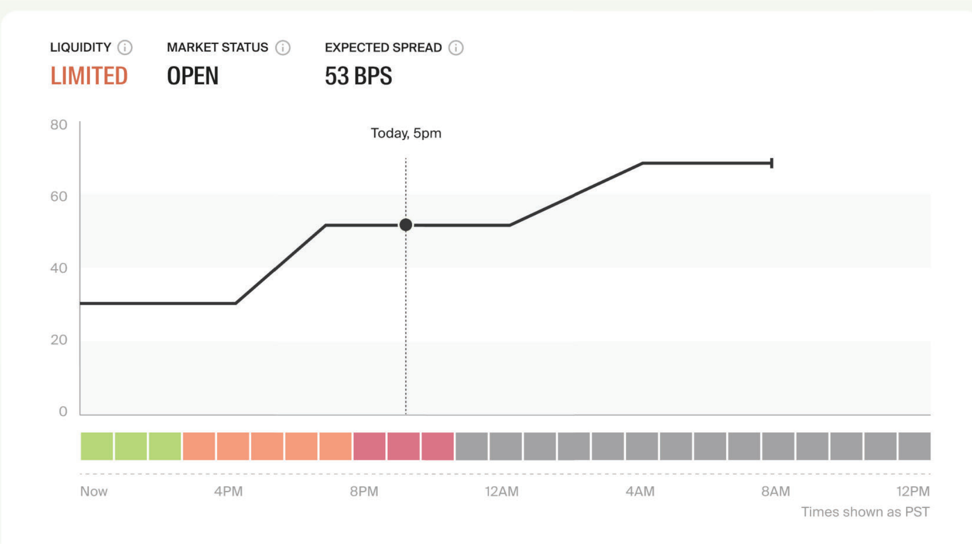
Timing

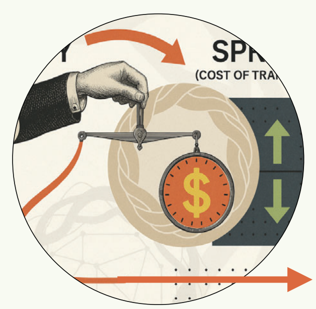
- **Market Hours**: Each currency belongs to its own “regime” and has its own peak-liquidity periods.
- **Execution Strategy**: Schedule transfers during those windows to lock in tighter spreads

PANGEA

PULSE

As liquidity expands and contracts, global spreads narrow and widen, respectively.





Pick your own Adventure
Time and interest allowing, we can dive deeper into this topic.

PRODUCTS

Three Hard Truths about Hedging

1. Every organization is a speculator—there is no such thing as a neutral position.
2. Deciding not to hedge requires the same deliberate intent as deciding to hedge.
3. Every organization benefits from a hedging policy; only timing and rationale shift.

PRODUCTS

Step 1: Risk Posture

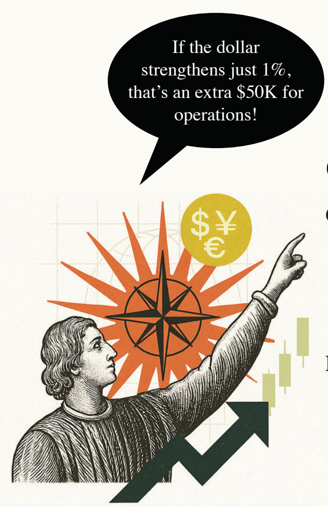
Loss Avoidant

Qualities

- Low tolerance for currency swings
- Prioritize budget certainty and predictability
- Prefers fixed costs over variable outcomes

Priorities

- Limiting downside risk
- Maintaining strict budget adherence
- Minimizing potential volatility



Opportunity Oriented

Qualities

- Willing to embrace calculated risk
- Prioritizes growth and expansion
- Has the luxury of buffer in the budget

Priorities

- Capturing favorable rate movements
- Balance risk and reward
- Willing to be dynamic amidst volatility

PRODUCTS

Step 2: Alignment

Once you've defined your organization's risk posture, you can align everyone on what constitutes risk and what represents opportunity.

PRODUCTS

Step 3: Analysis & Decision

Major factors an organization must evaluate in the use of derivatives–but only after they have done steps one & two.

Forward Points
Interest Credit Yield
Interest Premium Cost

Market Volatility
Historical Volatility
Implied Volatility

Market Cycles
Supply & Demand
Resistance & Support

Your Budget
Declared Budget Rate
Budget Variance Tolerance

Polling Question

NEW process for CPE:

Answer in Conferences i/o on your device.

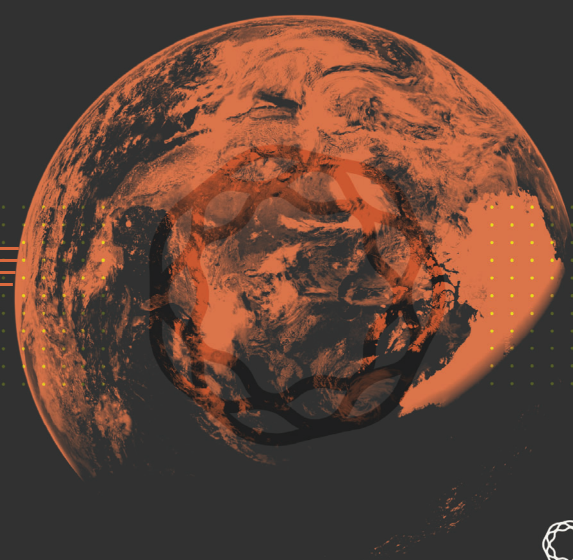
If you haven't already checked in, please scan the QR code or visit capincrouse.cnf.io and select the **Navigating the Changing Landscape of Global Finance** session.

BONUS OBJECTIVE

Trump, Tariffs, & Trade – What you need to know.

- **Short Term:** Supply Costs
- **Mid-Term:** Volatility in the Market
- **Long-Term:** Fundamental Shifts in Trade and Currency Values

Questions & Discussion



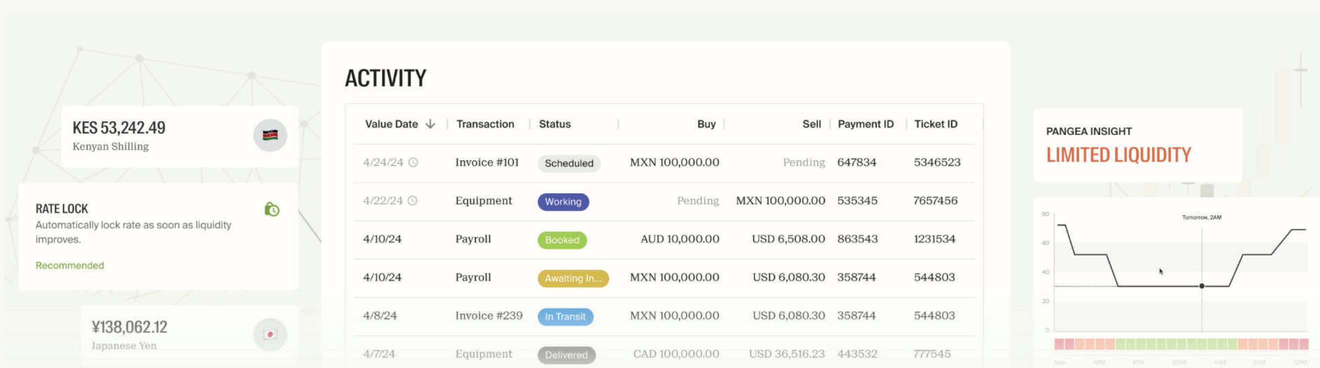
PANGEA

INTRODUCING

PANGEA Prime®

The Financial Operating System for Emerging & Frontier Markets

Global Payments • Optimized FX • Virtual Currency Accounts • Approvals • Hedging • Ai Powered Advisors



PANGEA

PANGEA

Thank You!

Visit us at Pangea.io

Want this presentation?
Want a free FX audit?
Just need to talk?

Contact us at aeron@pangea.io & brian@pangea.io

Don't forget to check out of Conferences i/o before you leave the session!